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Message Text

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45
ACTION ARA-20

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 PRS-01 USIA-15 AGR-20 DRC-01 /174 W
---------- 112413
R 131440Z NOV 73
FM AMEMBASSY TEGUCIGALPA
TO SECSTATE WASHDC 5657

UNCLAS TEGUCIGALPA 4242

EO 11652: NA
TAGS: ECON, HO
SUBJECT: HONDURAS ANNOUNCES NEW ECONOMIC MEASURES

1. SUMMARY: BY OFFICIAL COMMUNIQUE NO. 147 OF 11/8/73, HONDURAN GOVERNMENT ANNOUNCED NEW MEASURES (DECREE LAWS 91 AND 92) PRIMARILY POINTED TOWARD CONTROL OF INFLATION. NOTING THAT INFLATION IN MANY CASES REFLECTS INCREASED PRICES OF IMPORTS OUTSIDE THE CONTROL OF THE GOH, THE GOVERNMENT NONETHELESS FEELS OBLIGATED TO ATTEMPT TO MAINTAIN A JUST EQUILIBRIUM IN THE RETURNS (PROFITS) FROM MARKETING. ALSO AFFECTED ARE DELIVERIES OF EXPORTABLE PRODUCTS, SUCH AS MEAT, INTO THE INTERNAL MARKET. EXCLUSIVE AUTHORITY IS GRANTED TO THE NATIONAL DEVELOPMENT BANK (BNF) TO IMPORT AND EXPORT CERTAIN AGRICULTURAL PRODUCTS, AND PROVIDE CREDITS TO FINANCE MARKETING OF MAJOR CONSUMER ARTICLES. FINALLY, THERE IS A TIGHTENING UP OF PENALTIES AGAINST VIOLATIONS FO THESE AND PREVIOUS PRICE MEASURES.

2. DECREE LAW NO. 91 PERMITS THE EXECUTIVE TO PROTECT THE CONSUMER UNDER ABNORMAL CONDITIONS. IT INCLUDES (ACUERDO 341 OF MINECON) THAT MEAT EXPORTING COMPANIES MUST DESTINE 10 O/O OF THEIR PRODUCTION TO SUPPLY THE
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INTERNAL MARKET. THE NATIONAL DEVELOPMENT BANK (BNF) IS

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GIVEN EXCLUSIVE AUTHORITY TO IMPORT OR EXPORT AGRICULTURAL AND LIVESTOCK PRODUCTS (ACUERDO NO. 340 OF MINECON). THE BNF ALSO RECEIVES (ACUERDO NO. 806 OF MINFIN) $500,000 TO BE USED FOR FACILITATING THE MARKETING OF BASIC CONSUMER PRODUCTS.

3. DECREE LAW 92 SPECIFIES PENAL CODE MODIFICATIONS RELATIVE TO "CRIMES AGAINST THE ECONOMY." ARTICLE 536 PROVIDES FOR PRISON TERMS OF UP TO 3 YEARS AND UP TO $1,000 FINE FOR PUBLICATION OF FALSE NEWS, EXAGGERATIONS, ETC. THAT PLACE IN DANGER OR DIMINISH THE NATIONAL ECONOMY OR PUBLIC CREDIT. ADDITIONAL ARTICLES CITE PENALTIES FOR DESTRUCTION OF PRODUCTS OR THE MEANS OF PRODUCTION OR SPREADING FALSE INFORMATION CONCERNING THE MARKET OR STOCKMARKET OR FINANCIAL MARKET. THE SAME PENALTIES CAN BE LEVIED AGAINST ANYONE SPREADING ANIMAL ILLNESSES OR CROP BLIGHTS.

4. DECREE LAW NO. 92 ALSO PROVIDES FOR PENALTIES UP TO 6 YEARS AND $3,000 FOR HOARDING PRIMARY NECESSITY PRODUCTS OR PROVOKING IMMODERATE PRICE INCREASES OR ANY ARTIFICE LEADING TO BLOCKING OF COMPETITION OF THESE ARTICLES OF PRIMARY NECESSITY. EXPORT OF THESE ARTICLES WITHOUT PERMIT IS PROHIBITED AS ARE OTHER SPECIFIED ACTS. DECREE LAW NO. 92 ENTERS INTO EFFECT 11/28, 20 DAYS AFTER ITS PUBLICATION. (OFFICAL COMMUNIQUE AND DECREES FOLLOW BY AIRGRAM.)

5. COMMENT: SOME SHORT TERM PRICE RESTRAINING EFFECTS MAY BE GAINED FROM THE 2 DECREES. HOWEVER, THE GOVERNMENT MAY BE ENTERING INTO A DANGEROUS PHASE OF TRYING TO DECREE PRICES ON POLITICAL GROUNDS.
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